

## TABLE OF CONTENTS

INTRODUCTION	1
SCOPE	1
EXECUTIVE SUMMARY	2
DISTRICT RESPONSE	2
FINDINGS AND RECOMMENDATIONS	
<b>Cash Disbursements</b>	
Check Signing	2-3
<b>CIS/ASSIST Security</b>	
MA-010 Reconciliation	3
CIS Security Agreements	3
ASSIST Enrollment Profiles and Security Agreements	4
Security Officer's Log Report	4
<b>IRS Information Security</b>	
Backup Designated Staff Person	4-5
<b>Payroll and Timekeeping</b>	
Payroll Record and Retention	5

## **INTRODUCTION**

The Office of Internal Audit performed an audit of the Maddelein District, Wayne County FIA for the period April 1, 2001 through April 30, 2002. The objectives of our audit were to determine if internal controls in place at the district office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. The Maddelein District had 116 full time equated positions (FTE's) at the time of our review. The Maddelein District provided assistance to an average 15,080 recipients per month during FY 2001, with total assistance payments of \$23,295,400 during that year.

## **SCOPE**

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Maddelein District, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts

Safe and Controlled Documents

State Emergency Relief (SER)

Client Processing

IRS Information Security

Procurement Card

Cash Disbursements

Medical Transportation

Employment Support Services

CIS/ASSIST

Payroll and Timekeeping

State Car Usage

## **EXECUTIVE SUMMARY**

Based on our audit, we conclude that the Maddelein District's internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. Our audit disclosed no exceptions in the Cash Receipts, State Car Usage, Procurement Card, Employment Support Services, Safe & Controlled Documents, State Emergency Relief, or Client Processing systems. We did, however, find a few instances of noncompliance with FIA policies and procedures, and weaknesses in internal controls for the other systems included in our scope, which are detailed below. Findings # 1, 2, 3, 5, and 6 are repeat findings from our last audit of the Maddelein District.

### **DISTRICT RESPONSE**

The management of the Maddelein District has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated August 1, 2002 that they are in general agreement with the report.

## **FINDINGS AND RECOMMENDATIONS**

### **Cash Disbursements**

#### **Check Signing**

1. The Maddelein District did not properly separate the cash disbursement duties. Our review disclosed that the same employee prepared and signed the checks. Accounting Manual Item 410 states that for internal control purposes, the person responsible for signing the checks should be an employee independent of the cash disbursement function.

WE RECOMMEND that the Maddelein District have an employee independent of the check preparation process operate the check signing machine.

### **CIS/ASSIST Security**

#### **MA-010 Reconciliation**

2. The Maddelein District did not reconcile a sample of Supplemental Payments or case openings and reopenings listed on the MA-010 Report to the supporting documentation for those transactions, as recommended by the Primary Internal Control Criteria for FIA Local/District Office Operations. Reconciliation of a sample of these transactions helps ensure that supplemental payments are appropriate and that cases were opened by their assigned workers.

WE RECOMMEND that the Maddelein District reconcile a sample of supplemental payments and case openings and reopenings on the MA-010 Report to the supporting documentation.

#### **CIS Security Agreements**

3. The Maddelein District did not have accurate, up-to-date CIS Security Agreements (FIA-3974A) on file for 3 employees who access the Client Information System (CIS), as required by L-Letter 97-063. Two other employees' FIA-3974A's were signed and placed on file for review after the auditor's request to review those documents. Accurate, up-to-date Security Agreements are necessary to provide documentation that the worker understands the security requirements for accessing information, and that the supervisor approved the access given to the worker.

WE RECOMMEND that the Maddelein District ensure that they have accurate, up-to-date CIS Security Agreements on file for all employees who access CIS.

#### ASSIST Enrollment Profiles and Security Agreements

4. Forty-six employees at the Maddelein District who had access to ASSIST did not have ASSIST Enrollment Profiles (FIA-3720) on file, as required by L-Letter 97-063; and 54 employees did not have ASSIST Security Agreements (FIA-3721) on file, as required by L-Letter 97-156. Accurate, up-to-date Enrollment Profiles and Security Agreements provide documentation that workers understand the access they have on ASSIST and the responsibility associated with that access.

WE RECOMMEND that the Maddelein District ensure that accurate, up-to-date Enrollment Profiles and Security Agreements are on file for all employees who have access to ASSIST.

#### Security Officers Log Report (PD-180)

5. The Maddelein District did not reconcile the Security Officers Log Report (PD-180) to the Security Agreements (FIA-3974A's). L-Letter L-97-063 requires the reconciler to review this report to a signed Security Agreement to ensure that all changes are accurate.

WE RECOMMEND that the Maddelein District reconcile the PD-180 report to revised Security Agreements.

#### IRS Information Security

##### Backup Designated Staff Person

6. The Maddelein District did not have a backup Designated Staff Person (DSP) for IRS Security. The District should have a backup DSP in case information is received on a day when the DSP is out of the office.

WE RECOMMEND that the Maddelein District appoint a backup DSP for IRS information security.

### **Payroll and Timekeeping**

#### **Payroll Record and Retention**

7. The Maddelein District timekeepers maintained the certified copy of the HR-332A. The Primary Internal Control Criteria for Local/District Office Operations recommends that someone other than the timekeeper retain the HR-332A so that changes made after the certifier signs the HR-332A could be detected.

WE RECOMMEND that the Maddelein District have the certifier or someone other than the timekeeper retain the HR-332A.